

Top Tips on Trust Accounting: Trust Account Reconciliation Sheet & Instructions

BY PETER BOLAC

On the next page you will find a Trust Account Reconciliation Sheet, which was designed to assist lawyers with their quarterly three-way reconciliations. Rule 1.15-3(d)(1) requires that lawyers complete a three-way reconciliation at least quarterly; however, the State Bar recommends that lawyers perform this task on a monthly basis. We have designed these instructions to make it as simple and clear as possible to complete your reconciliation. The numbers and sections in these instructions correspond to the numbers and sections on the reconciliation sheet.

Instructions

General Information

You will note that you must complete a separate form for each trust account. Many lawyers encounter problems because they try to combine all entrusted funds into one reconciliation regardless of whether they are held in separate accounts. You must also attach the listed documents in order for this to be a proper three-way reconciliation.

Reconciliation of Lawyer's Trust Account Records

- Enter the total of positive client ledger balances as of the cut-off date on the bank statement. This includes any administrative funds ledger or firm funds ledger that you maintain to service the account. Do not include balances that are negative. If a client ledger shows a negative balance, check the box. On another page, explain the reason for the negative balance and show your corrective action.

- List the balance shown on your general ledger/checkbook register as of the cut-off date on the bank statement. Using the same cut-off date on all documents is imperative to avoid mismatched numbers.

Bank Statement Reconciliation

- List the ending balance as shown on the bank statement. On the next line list the deposits that have yet to appear on the bank statement (probably because they were made at the end of the month). You should provide a list of these outstanding deposits and note the number of these deposits in the provided line. Do the same for outstanding/uncleared checks. Take this time to examine the list of outstanding checks and to investigate why those checks have not cleared.

- Add the outstanding deposits to the ending balance and subtract the outstanding checks to find your Subtotal.

- This section is provided for lawyers to explain any necessary adjustments to their reconciliation. Adjustments might be required if, for example, you identify bank errors in your review of the bank statement. Adjustments that are made to balances must be explained with documentation.

- Your Adjusted Trust Account Bank Balance is your Subtotal plus or minus any necessary adjustments listed in Section 5.

- The balances listed in Sections 1, 2, and 6 should all agree. If they are different, attach an explanation and show how this imbalance has been corrected. The person who completed the reconciliation should sign the form, as well as the lawyer who reviewed the reconciliation and supporting documents. Save this reconciliation for six years as required in Rule 1.15-3.

If you have any questions about this form (or would like a PDF copy) or any other trust accounting issue, please contact Peter Bolac at (919) 450-7860 or Pbolac@ncbar.gov. Follow Peter on Twitter @TrustAccountNC for alerts on trust account scams.

Random Audits

Districts randomly selected for audit in the 3rd quarter are District 15A (Alamance

County) and District 23 (Alleghany, Ashe, Wilkes, and Yadkin Counties). ■

Peter Bolac is the State Bar's district bar liaison and trust account compliance counsel.

IOLTA Update (cont.)

these roles.

The council also appointed three trustees. John McMillan was reappointed to a second three-year term, and Betty Quick and Sid Eagles were appointed as new trustees replacing outgoing trustees Linda M. McGee and Hope H. Connell.

- John B. McMillan is in private practice in Raleigh. He currently serves on the Equal Access to Justice Commission. During his service as NC State Bar president in 2008-2009, he made it a priority to increase IOLTA income by implementing comparability, and he had earlier supported moving NC IOLTA to a mandatory program as a NCSB officer and councilor. His knowledge of the State Bar, the IOLTA program, and the legal aid community is extremely valuable to our program.

- Elizabeth L. Quick is in private practice in Winston-Salem. Through her work with a number of charitable organizations and foundations, she has strong knowledge of and interest in philanthropy. She is a past-president of the North Carolina Bar Association, 1997-98.

- Sidney S. Eagles Jr. is in private practice in Raleigh. From 1983 to 2004 he served first as a judge and later as chief judge of the North Carolina Court of Appeals. He has also served as counsel to the speaker of the house and as a special deputy attorney general. He will bring valuable judicial perspective to the board. ■

Trust Account Reconciliation Sheet**GENERAL INFORMATION**

- Complete one form for *each* trust account
- Attach the following: list of clients with corresponding balances, copy of general ledger/checkbook register, list of outstanding deposits, list of outstanding checks, corresponding bank statement

Reconciliation of Lawyer's Trust Account Records

1. **Total of positive client ledger balances** as of \$

(Attach a list of clients with corresponding balances)

Do any clients show a negative balance? Yes No If yes, attach explanation and corrective action.

2. **General ledger/checkbook register balance** as of \$

(Attach copy of general ledger/checkbook register)

Bank Statement Reconciliation

3. **Account Balance** as of (per appended bank statement) \$

Plus: Deposits in transit (deposits made to the account through end of month yet not reflected on bank statement) +

Number of deposits in transit
(attach list of outstanding deposits)

Less: Outstanding (uncleared) checks (checks issued through end of month not reflected in bank statement) -

Number of outstanding checks
(attach list of outstanding checks)

4. ***Subtotal***

5. ***Other Adjustments (describe and attach supporting documentation)***

.....

.....

6. ***Adjusted Trust Account Bank Balance*** (as of end of report month) \$

7. The balance on line #6 agreed did not agree with the balances reflected in lines #1 and #2. If different, attach explanation and corrective action.

Reconciliation prepared by: _____ Name and Position _____ Signature _____

Reconciliation reviewed by: _____ Lawyer Name _____ Signature _____